

Newton, Naoroji and Ambedkar: The Gold Standard and the Wealth Drain from India

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Indians have been witnessing the all time price-rise of gold touching Rs.12,000/- per sovereign, though they are having the notoriety of keeping most of the "gold reserve" of course not with the government but with the common people¹. When the price of rice is Rs. 40/- per kg, Indian politicians are ready to sell at Rs. 1/- i.e, 40 times less but none would dare to offer one sovereign gold at Rs. 300/. If this has been the politics of today, Ambedkar had definitely foreseen such gimmick comparing with the British².

What Newton had to do with India, Naoroji and Ambedkar³ and that too in the context of Indian economy? It may be surprising to many but there has been relation, connection and involvement. This paper attempts to bring out this relation. Sir Isaac Newton (1642-1727), Dadhabhai Naoroji (1825-1917) and Dr B. R. Ambedkar (1891-1956) played crucial role in the economic context of India. Newton and Ambedkar were interested in Indian gold and silver and Ambedkar followed Naoroji in comparison of "drain of wealth".

Dr. Ambedkar had submitted his Ph. D. thesis entitled "National Dividend for India: A Historic and Analytical Study" in 1916 in Colombia University. This was later published in book form as *The Evolution of Provincial Finance in British India* in 1924 dedicating to HH Shri Sayajirao Gaikawad, Maharaja of Baroda, who helped him during his studies in USA. Some interpret the work "National Dividend of India", essentially on the transfer of wealth and surpluses from India to Imperial Britain, laid bare the huge colonial (looting) enterprise on which Britain's industrialization was founded⁴. Dadabhai Naoroji also spoke and wrote on the rapacious transfer of surpluses from India to England but it is not mentioned his work. There is another work by R.C. Dutt covering this path-breaking subject, which dared to expose to bare bones through facts and figures based on official

documents revealing how Britain established and executed the great parasitical enterprise, called British India. After spending years collecting statistics, Dadabhai propounded the drain theory: "The inevitable consequence of foreign domination is the drain of wealth of the subject nation to the country of the rulers." Dadabhai proved that the average annual income of an Indian was barely Rs. 20. Examining the import and export figures for 37 years, he proved that India's exports exceeded its imports by Rs. 50 crores (approximately \$135 million) annually! Thus, the drain/looting had been unimaginable.

Newton and Ambedkar on gold and silver: One may wonder what Sir Isaac Newton (1642-1727) to do with India, that too, with Indian coins, but definitely, he has many things to do with Indian coins when he became Warden (1696-1699) and then the Master of Royal Mint, London (1699-1727). Of course, his interest in historical chronology, particularly that of ancient Kingdoms, has been unnoticed by many historians⁵. After studying the coins of India and other eastern countries in 1717, he decided to bring Gold Standard to England, as hitherto, Silver was used as standard⁶. He explained that Gold was cheaper whereas Silver was costlier in India, hence, the British exported Silver to India and imported Gold to England⁷. Since not much study is done on the connection of Newton with India and large scale official and unofficial export of Indian silver and golden coins after 18th century from India⁸, some of the aspects are taken up for discussion in the context of numismatics. Similarly, Dr. Ambedkar studied about the silver and gold standards and the "double standards" of the British towards "silver standard"! Then, he goes on to recommend gold standard and "gold exchange standard"⁹. Though, Ambedkar worked neither as a warden nor Master of Mint, his analysis shows that he might have possessed such knowledge. Thus, it could be implied that he might have known Newton's study of Indian coins particularly in the context of silver and gold standards.

Sir Isaac Newton's Letter¹⁰ to the Lord of Commons on the "State of Gold and Silver Coins: For the relevancy of the subject matter, Newton's letter is reproduced verbatim as appearing in the website (relevant portions are produced):

"To the Rt. Honble. the Lords Commrs. of his Mats Treary.

MAY IT PLEASE YOR LORDS., — ...

When ships are lading for the East Indies, the demand of silver for exportation raises the price to 5s. 6d. or 5s. 8d. per ounce or above. But I consider not those extraordinary cases.....In China and Japan one pound weight of fine gold is worth but nine or ten pounds weight of fine silver & in East India it may be worth twelve. And this low price of gold in proportion to silver carries away the silver from all Europe.....as when a Plate Fleet is just arrived in Spain, or ships are lading here for the East Indies, which cases I do not here consider. And it appears by Experience as well as by reason that silver flows from those places where it's value is lower in proportion to gold, as from Spain to all Europe & from all Europe to the East Indies, China & Japan & that Gold is most plentiful in those places in which its value is highest in proportion to Silver, as in Spain & England.....If gold in England or Silver in East India could be brought down so low as to bear the same proportion to one another in both places, there would be here no greater demand for silver then for gold to be exported to India.....

All which is most humbly submitted to yor Lordps. great wisdom.

IS. NEWTON.
MINT-OFFICE,
21 Sept. 1717.

Newton Making Decision against India: Newton has not minced his words in the above letter in the following points:

- In China and Japan one-pound weight of fine gold was worth but nine or ten pounds weight of fine silver and in East India it was worth twelve. And this low price of gold in proportion to silver carried away the silver from all Europe.
- So then by the course of trade and exchange among nations in the Europe, fine gold is to fine silver as $14 \frac{4}{5}$ or 15 to

one. And a Guinea at the same rate was worth between 20s. 5d. & 20s. 8½d., except in extraordinary cases, as when a Plate Fleet was just arrived in Spain or ships were lading here for the East Indies.

- Gold was most plentiful in those places (including India) in which its value was highest in proportion to Silver, as in Spain and England.
- It was the demand for exportation, which hath raised the price of exportable Silver about 2d. or 3d. in the ounce above that of Silver in coin, and had thereby created a temptation to export or melt down the silver coin rather than give 2d. or 3d. for foreign silver.
- And the demand for exportation arose from the higher price of silver in other places then in England in proportion to Gold, i.e., from the higher price of gold in England then in other places in proportion to silver and therefore, may be diminished by lowering the value of gold in proportion to Silver.
- If gold in England or Silver in East India could be brought down so low as to bear the same proportion to one another in both places, there would be no greater demand for silver than for gold to be exported to India.

He also set the price of silver at the same time and overvalued it relative to gold as he could notice it because of trade deficits. The East India Company was shipping most of England's silver to India to buy tea and spices and probably overvalued it on purpose. It did not matter since holders of silver quickly sold it and bought gold for the one time arbitrage, but it was the end for silver in England. Therefore, England's dealing with India in this aspect during the material period was definitely known to Newton and his authority as a Master of the Royal Mint serving well for the British colonial and economic pursuits.

Gold from India for Making British Coins (1729-1739)

The British documents give the following details about the usage of gold from different sources chronologically:

Mark / Symbol	Origin of Bullion	Period
Elephant or elephant and Castle	Africa	1663-1726
Plumes	Wales	1698-1705
Roses	West of England mines	1699-1739 (not continuous)
VIGO	Captured from the Spanish fleet at VIGO Bay 1702	1703
Roses and Plumes	"Pitcoale & Seacole Company"	1705-1743
SSC	South Sea Company	1723
EIC	East India Company	1729-1739
LIMA	Silver captured by Admiral Austin	1745-1746

So for ten years from 1729 to 1739, that too during formative period, how East India Company (EIC) could have used bullion for minting British coins is the million-dollar question! The VIGO coins clearly prove that the pirated gold was used for minting, throwing a new dimension in the context. Had these European Companies used Indian gold coins, then, India must have lost its heritage through such looting, illegal export, piracy and minting. As there was no established numismatic study during the material period, many of numismatic evidences of Indian rulers, dynasties and the imprinted history on such coins must have been irrecoverably lost. This could be a possible answer for the absence of Mauryan gold coins, whereas, the succeeding Guptas had issued marvelous gold coins, even now available in the foreign collections. The latter British policy of accusing native mints melting British coins could have been a cover-up to their brutal closing down of Indian mints. That India used foreign coins for bullion value had been a well known fact since the Roman period. As they wanted Indian goods necessarily, they paid gold desperately to get them immediately. This gold procured, accumulated had gone to cover and decorate temples and images, was looted by the Muslims from medieval period onwards and by the British thereafter. Thus, the usage of Indian coins for bullion value by the British could not be ruled out.

Indian Coinage Act 1876 and Abolition of Indian Coinage

Indian Kings have been issuing coins since time immemorial, as the numismatists discuss about them elaborately.

However, scholars¹¹ interpret that the falling fortunes of the Mughal Empire during the 18th century gave rise to a number of Indian powers that laid their claim for sovereignty. In the general scramble for independence, 'Sikka' or the right to coinage, the most unmistakable insignia of sovereignty, became the right most cherished by these claimants. The European trading Companies assuming political character started interfering with the Indian rulers. Thus, the political ascendancy of various Indian as well as European powers during the 18th century was almost simultaneous, as perceived by the scholars interpreting that their interests in the matters concerning coinage and currency came in direct clash with each other. The British did not want to take any chance, that too, after the 1857 incident. Therefore, they made the Act No. IX of 1876 passed by the Governor General of India in Council and received the assent of the Governor-General Lord Northbrook (1872-76) on the 28th March 1876 to check India economically. This resulted in declaring certain coins of the Native States illegal in British India. Even before the assumption of supremacy by the Crown, the Governor General Lord Hardinge had noted in 1845 that the abolition of Native mints was "the most effectual mode of introducing uniform currency." The Court of Directors of the East India Company too, in the dispatch dated 21 October 1846, had endorsed the stand taken by the Indian Government by emphasizing upon the necessity of "diminishing (when it can justly be effected) rather than increasing the number of Native Mints." Incidentally, the year 1876-78 faced the great famine coupled with fever and cholera affecting Madras, Mysore, Hyderabad, Bombay and other parts of India.

Ambedkar on Silver and gold standards

Surprisingly, Dr. Ambedkar too has critically analysed such aspects as proven by his work, where he has given many tables and charts. Exposing the British he records¹² that "So stated, it follows that the actual exchange rates are related to purchasing power parties of the two currencies with regard to such commodities only as are internationally traded". His statement of Evidence¹³ submitted to the Royal Commission on Indian Currency and Finance in 1924-25 had been very specific. Thus, though he was not quoting Newton, he was definitely touching

upon the same points, as conceived and perceived by Newton. Here, the important point is that Ambedkar's critical study of Indian economy has made him to tackle the social inability of Mahars and thus decided to formulate new strategy for liberation. In the same way he follows Naoroji.

The Drain of Wealth from India

The "drain of wealth" by the British during the 200 years of colonial rule has been recorded by the scholars and they included gold, silver, diamonds, jewels and other valuables and goods. The plunder started with Plassey, continued for centuries. Profs Richards, Williamson, Clingingsmith, Maddison, Richards, Javier Cuenca Esteban and others some of the few to worth mention. The opinions of these scholars as follows:

Prof. Williamson and Clingingsmith¹⁴ have noted that "between 1772 and 1815 there was a huge net financial transfer from India to Britain in the form of Indian goods. The "drain resulting from contact with the West was the excess of exports from India for which there was no equivalent import" included "a bewildering variety of cotton goods for re-export or domestic [consumption], and the superior grade of saltpeter that gave British cannon an edge."

Javier Cuenca Esteban¹⁵ estimates these net financial transfers from India to Britain reached a peak of £1,014,000 annually in 1784-1792 before declining to £477,000 in 1808-1815."

Maddison¹⁶ has mentioned the debilitating effect of the drain of funds from India: "Another important effect of foreign rule on the long-run growth potential of the economy was the fact that a large part of its potential savings was siphoned abroad. This 'drain' of funds from India to the UK has been a point of major controversy between Indian nationalist historians and defenders of the British-raj. However, the only real grounds for controversy are statistical. There can be no denial that there was a substantial outflow which lasted for 190 years. If these funds had been invested in India they could have made a significant contribution to raising income levels."

The total 'drain' due to government pensions and leave payments, interest on non-railway official debt, private remittances for education and savings, and a third commercial profits amounted to about 1.5 per cent of national income of undivided India from 1921 to 1938 and was probably a little larger before that... about a quarter of Indian savings were transferred out of the economy and foreign exchange was lost which could have paid for imports of capital goods.

Dadabhai Naoroji¹⁷ estimated the drain of resources from India to the extent of Rs. 12, 000,000 annually. Here is an extract from one of his essays, "The Benefits of British Rule, 1871".

Financially: All attention is engrossed in devising new modes of taxation, without any adequate effort to increase the means of the people to pay; and the consequent vexation and oppressiveness of the taxes imposed, imperial and local. Inequitable financial relations between England and India, i.e., the political debt of Rs. 100,000,000 clapped on India's shoulders and all home charges.

Materially: The political drain, up to this time, from India to England, of above Rs. 500,000,000, at the lowest computation, in principal alone...The further continuation of this drain at the rate, at present, of above Rs. 12,000,000 per annum, with a tendency to increase.

Ambedkar's analysis of "Drain"

Surveying the national resources, he points out that there were two sources of revenue one from land and the other from Customs. In both cases, the British virtually squeezed and extracted the tax from the Indians and the ultimate sufferers had been the agriculturalists and labourers. A land tax of this nature was sure to blast the very production of that wealth which industry would have otherwise brought into being. The land tax was so heavy that the system of tax prevailing in India might well have been called a near approach to the single tax system. The ratio of the land revenue to the total revenues of India was as given below:

Year	Ratio	Year	Ratio	Year	Ratio
1792-93 to 1796-97	50.33	1817-18 to 1821-22	66.17	1842-43 to 1846-47	55.85
1797-98 to 1801-02	42.02	1822-23 to 1826-27	61.83	1847-48 to 1851-52	56.06
1802-03 to 1806-07	31.99	1827-28 to 1831-32	60.90	1852-53 to 1855-56	55.40
1807-08 to 1811-12	31.68	1832-33 to 1836-37	57.00	Average for 64 years	54.07
1812-13 to 1816-17	53.33	1837-38 to 1841-42	59.05		

The following table gives the ratio of the Customs Revenue to the total revenue¹⁸:

Year	Ratio	Year	Ratio	Year	Ratio
1792-93 to 1796-97	2.38	1817-18 to 1821-22	8.32	1842-43 to 1846-47	6.02
1797-98 to 1801-02	3.10	1822-23 to 1826-27	7.58	1847-48 to 1851-52	5.40
1802-03 to 1806-07	4.16	1827-28 to 1831-32	8.12	1852-53 to 1855-56	5.52
1807-08 to 1811-12	5.04	1832-33 to 1836-37	7.19	Average for 64 years	6.22
1812-13 to 1816-17	6.68	1837-38 to 1841-42	6.76		

He clearly exposed¹⁹ that, "the whole policy of India has been dictated by the interests of English manufacturers is beyond doubt". He says, "On an impartial survey of the revenue system as prevailed under the Imperial regime one is constrained to say that justice in taxation was conspicuous by its absence. It was a cruel satire, or at best an idle maxim, for the lancet was directed not where the blood was thickest but to that part of the body politic which on account of its weakness and poverty most meekly bore the pang. The landlords who passed their lives in

conspicuous consumption and vicarious leisure on the earnings of the poor tenants or the many European civil servants, who fattened themselves on pay and pickings, were supremely exempted from any contribution towards the maintenance of the Government whose main activities were directed towards the maintenance of pomp and privilege. On the other hand, the salt tax and the Moturpha, and other oppressive taxes continued to harass the industrious poor." The percentage ratio of the salt revenue to the total revenue at different times was as follows²⁰:

Year	Ratio	Year	Ratio	Year	Ratio
1792-93 to 1796-97	14.13	1817-18 to 1821-22	11.25	1842-43 to 1846-47	11.65
1797-98 to 1801-02	12.10	1822-23 to 1826-27	11.87	1847-48 to 1851-52	9.14
1802-03 to 1806-07	11.09	1827-28 to 1831-32	12.03	1852-53 to 1855-56	9.17
1807-08 to 1811-12	11.14	1832-33 to 1836-37	9.72	Average for 64 years	11.07
1812-13 to 1816-17	10.92	1837-38 to 1841-42	12.37		

Thus, the tables speak the truth of the "drain of wealth" by the British and their sudden bloom of economy with so much "revolutions".

Conclusion

The study of Dr. Ambedkar has to be multi-disciplinarian one, as he himself has done such an analysis of subject covering all aspects. His interest in history, historical sites, Indian scriptures, etc., has been phenomenal, significant and eye-opener for any researcher. The more Ambedkar is studied, the more one comes to know and understand and appreciate his multi-faceted personality. Thus, a comparative study of Dr. Ambedkar with Newton and Naoroji has shown interesting similarities and correspondences in Indian economic context. Thus, Dr. Ambedkar's economic philosophy has been true to its Indian philosophical tradition as Indian philosophy has also been multi-disciplinarian

one, though, it might appear as mere "philosophy". When "philosophy" becomes applicable practically to humanity, it becomes science and thus helps people. Thus, the utility value is felt easily proving its relevance even today. It is not mere coincidence, but prophetic as only a few people could have such prophetic talents exhibited on the earth.

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